# UNITED STATES SENATE

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Senators Unveil Tripartisan *21st Century Medicare Act*

WASHINGTON – Sens. Chuck Grassley, John Breaux, Olympia Snowe, James Jeffords and Orrin Hatch today unveiled their tripartisan *21st Century Medicare Act of 2002.*

Following are:

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(2) a description of why this bill is different
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**Tripartisan 21st Century Medicare Act of 2002**
**Senators Grassley, Snowe, Jeffords, Breaux, Hatch**
**Bill Summary – 7/15/02**

Medicare was established in 1965, and it needs to be updated to reflect the best of health care in the 21st Century. The most glaring shortcoming is the program's failure to cover prescription drugs. Title I of this bill establishes a universal, voluntary prescription drug benefit. The benefit would be part of the Medicare entitlement, and would have affordable premiums for beneficiaries, with special protections for those with low incomes. Title II of the bill adds a new, voluntary enhanced Fee-For-Service option to the program. Today, over 80 percent of current Medicare beneficiaries are enrolled in traditional fee-for-service Medicare, and are thus subject to the shortcomings of its 1960s style benefit package. As a result of its limitations, many enrollees purchase expensive Medigap plans to fill in its gaps in coverage. Title III takes modest steps to strengthen and improve yet another voluntary option, the Medicare+Choice program. These steps will allow Medicare to reflect the best of health care in the 21st Century.

**Title I - Voluntary Prescription Drug Program**

- Beginning January 1, 2005, a prescription drug benefit would be added to Medicare under Part D. Coverage would be provided through Medicare prescription drug plans (PDPs). The federal government would provide payments worth 75% of spending for all enrollees, with additional financial assistance for low-income individuals. Plans would be expected to

employ cost control techniques, such as formularies, that are typically used by the private sector. The program would be administered and overseen by a new agency within the Department of Health and Human Services.

- The benefit would be available to every Medicare beneficiary who is entitled to Part A and enrolled in Part B. Prescription drug coverage could be obtained whether an individual is enrolled in the traditional fee–for-service program, the new, enhanced fee-for-service program or in a Medicare+Choice plan.

**Election and Enrollment**

- Current beneficiaries and beneficiaries eligible by January 1, 2005, would have a seven-month initial election period beginning April 1, 2004, in which to enroll in the new Part D drug benefit. Beneficiaries (aged and disabled) who become eligible for Medicare after January 1, 2005, would have a seven-month enrollment period similar to Medicare Part B.

- Plan enrollment could be changed annually. In order to address risk selection issues, Medicare-eligibles who decline Medicare Part D when they first enroll in Medicare Part B would have an opportunity to sign up for Part D at a later date, but would be subjected to actuarially fair penalties. Medicare beneficiaries already receiving drug coverage through Medicaid, group health plans, state pharmacy assistance programs, veterans' health care, or Medigap would not be exposed to a late enrollment penalty if they involuntarily lost their drug coverage and could enroll in Medicare Part D within 63 days of losing such coverage.

- Part D enrollees would be guaranteed a choice of at least two plans. The Secretary would have the authority to provide incentives to ensure sufficient participation. The Congressional Budget Office estimates that 93 percent of Medicare beneficiaries would participate in Part D, 6 percent would decline it because they have other prescription drug coverage, and 1 percent would be ineligible because they were not enrolled in both Parts A and B of Medicare.

**Standard Drug Benefit**

- In 2005, the standard benefit would have a $250 deductible with the beneficiary paying 50 percent of the cost of drugs (from $251) until total drug spending reached $3,450. The law guarantees that, at all times during enrollment, beneficiaries would have access to discounted drug prices negotiated by their plan.

- Enrollees would pay no more than 10 percent of their drug expenses once they had exceeded $3,700 in out-of-pocket spending for prescription drugs. Out-of-pocket costs would include payments made by the individual or by another individual, such as a family member, on behalf of the individual but would not include reimbursements by a third party, except Medicaid or Medicare payments for low-income individuals.

- All plans must meet the same actuarial minimum value, provide the same average benefits

within the initial benefit limit, have the same catastrophic threshold, and be approved by the Administrator. Strict standards for actuarial equivalence are included in the legislative language.

**Low-Income Protections**

- Beneficiaries with incomes below 135 percent of the federal poverty level ($12,800 for an individual and $17,250 for a couple in 2005) would have their full monthly premium paid by Medicare. In addition, this group of beneficiaries would receive government coverage of 95 percent of all drug costs up to the initial benefit limit, 50 percent of all costs from the benefit limit to the stop-loss, and 100 percent of all costs above the stop-loss.

- Beneficiaries with incomes between 135% and 150% of the federal poverty level (between $12,800 and $14,200 for an individual and between $17,250 and $19,150 for a couple in 2005) would receive assistance in paying for their monthly premium. The assistance would vary on a sliding scale according to income, with beneficiaries at the low end of the income bracket paying nothing for their premium. In addition to premium assistance, these beneficiaries would pay no more than 50 percent of their drug costs at all levels of spending once the $250 deductible has been reached.

**Premiums and Payment**

- The standard benefit would include a monthly drug premium of $24. Enrollees would have their premiums deducted from their Social Security checks. Plan premiums for low-income individuals would be paid directly by the federal government.

- The federal government would provide two types of payments: direct premium payments and payments to plans through reinsurance for enrollees with high drug costs. Total subsidies would equal 75 percent of annual prescription drug benefit spending.

**Medicare Prescription Plans (PDPs)**

- Plans must include coverage for drugs within all therapeutic categories and classes (as defined by the Administrator in consultation with the Commissioner of the Food and Drug Administration) and must have a process for timely appeals for denials of coverage based on the application of any formulary.

- Plans wishing to deliver the Medicare drug benefit must meet access and quality standards established by the Department of Health and Human Services, including pharmacy access standards.

- Plans would be able to offer drug benefit options that exceed the value of the standard benefit package. However, these plans would be required to offer the standard benefit package as one of their options. Payment for any additional benefits offered by a plan would be the responsibility of the beneficiary.

- Entities providing qualified prescription drug coverage would be able to use cost control mechanisms that are customarily used in employer-sponsored health care plans that offer coverage for prescription drugs.

- The Federal government would partner with health plans that willing to share in the responsibility for delivering a drug benefit to Medicare beneficiaries. Plans could be insurance companies, pharmacy benefit managers (PBMs), chain drug stores, or any other type of plan that met the standards outlined by the Department of Health and Human Services and would be capable of bearing insurance risk.

**Title II: Option For Enhanced Medicare Benefits**

**Entitlement to Enhanced Medicare Benefits and Preservation of Original Benefits**

- Title II creates an option for Medicare enrollees to choose a new, enhanced fee-for-service Medicare benefit package – Medicare Part E – with benefits more closely resembling those customary in employer-sponsored insurance plans. This enhanced option would be purely voluntary for all beneficiaries, current and future. The original Medicare benefit package would be preserved as an option. Medicare Part E would be administered and operated by the federal government, just as existing Medicare Parts A and B are.

- Low-income beneficiaries – those eligible for the Medicaid or Qualified Medicare Beneficiary (QMB) programs – would have their Medicare Part E cost-sharing paid by Medicare, just as their Medicare Parts A and B cost-sharing is under current law.

- Benefit levels would be indexed to growth in the insurance value of the Medicare benefits package; levels outlined below would apply in 2005. Benefits would be paid from the existing Part A and Part B Trust Funds – no new Part E Trust Fund would be established.

- The monthly premium would be the same for Medicare Part B and Medicare Part E.

**Scope of Enhanced Medicare Benefits**

- *Unified Deductible*. The bill would impose a unified deductible of $300 per year for all Part E Medicare-covered services.

- *Serious Illness Protection*. The bill would limit beneficiaries' exposure to out-of-pocket costs for Medicare-covered services under Part E to $6,000 per year. Beyond that amount, Medicare would pay 100% of any costs incurred by the beneficiary. All spending by or on behalf of the beneficiary -- including by third parties such as Medicaid, an employer, or a Medigap plan -- would count toward the stop-loss threshold.

- *Preventive Health Care Benefits*. The bill would completely eliminate cost-sharing on preventive benefits in Medicare Part E. Preventive benefits would not be subject to the

unified deductible or to coinsurance requirements.

- *Hospital Inpatient Benefits.* The bill would eliminate the spell of illness limit and lifetime limit on inpatient hospital coverage, replacing it with 365-day-per-year, lifetime coverage in Part E. The bill would replace current law per-day copayments with a single hospital copayment of $400 per admission in Part E.

- *Blood Deductible.* The bill would eliminate cost-sharing on blood in Part E.

- *Skilled Nursing Facility Benefits*. The bill would impose a uniform copayment of $60 per day for all Part E covered days, 1 through 100.

- *Home Health Care Benefits*. The bill would require a Part E beneficiary copayment of $10 per visit for each of the first 5 visits in a 60-day episode, limited to $300 per year. There would be no additional copayment for visits after the 5th visit of the episode.

**Eligibility and Enrollment:**

- Those who will be Medicare A/B beneficiaries as of January 1, 2005, would have a seven month period (modeled on the Part B election period under current law) from April through November 2004 to opt in to Part E, effective January 1, 2005. Absent such an election, they would continue to receive Medicare A/B benefits.

- Those who become Medicare A/B beneficiaries after January 1, 2005 would have a seven month period (modeled on the Part B election period under current law) – from three months before their date of eligibility to four months after – in which to opt out of Part E. Absent such an election, they would receive Part E benefits.

**Rules Relating to Medigap Policies That Provide Prescription Drug Coverage**

- Beneficiaries with Medigap plans that offer drug coverage who enroll in the Part D drug benefit would be guaranteed access to another Medigap policy that does not include drug coverage, without underwriting or pre-existing condition limitations. Medigap insurers would be required to notify those enrollees of this right.

- Health plans offering coverage under Part D could offer supplemental coverage for drugs that would be in addition to the coverage of drugs provided under Part D. Companies providing retiree health coverage in conjunction with Part D benefits would be able to offer supplemental drug coverage to persons receiving retiree health benefits. Due to the variety of private drug plans expected to be available to seniors enrolled in Part D, it would not be feasible to design standard Medigap policies with drug coverage. Therefore, traditional Medigap policies that cover prescription drugs would not be available to enrollees in the Medicare Part D prescription drug benefit.

**Establishment of Enhanced Medicare Fee-for-Service Medigap Policies**

- The Secretary would establish new, standardized Medigap plans that complement but do not duplicate Part E benefits. Only these plans would be available to Part E enrollees, and only Part E enrollees would be able to purchase such plans.

- These plans could not cover the unified deductible. They could cover no more than 50% of Part E coinsurance and copayments, except for one plan, which could cover 100% of such coinsurance and copayments.

**Title III - Medicare+Choice Competition**

- The bill replaces the current statutory pricing structure with a new competitive bidding system under which plans would compete with each other, but not with the government-run fee-for-service program, on the basis of benefits, cost sharing and quality. The change would take a limited first step toward a more complete, competitive system that would stabilize the program and encourage more plans to participate. Payment rates for plans would be more closely aligned with the actual costs of providing Medicare covered benefits to enrollees.

- Starting in 2005, plans would submit bids that reflected their costs of providing Medicare covered benefits under Parts A and B. An optional bid for drug benefits under Part D could also be submitted. Plan bids would be compared to a benchmark – pegged at 100% of fee-for-service payments – that would more accurately reflect local health care costs.

- If the plan's bid were less than the average bid, or benchmark, beneficiaries would get 75 % of the savings; the government would retain the remaining 25% of the savings. Beneficiaries' savings could be used to reduce the Part D prescription drug premium, reduce the plan's premium for supplemental benefits, provide a cash rebate, or a combination of these options, or some other means approved by the Administrator. If the plan's bid were greater than the benchmark, beneficiaries would pay the excess amount to the plan. The government would pay the benchmark amount to the plan.

# The 21st Century Medicare Act Is *Different*

## From the Graham-Daschle-Kennedy-Miller Bill...

- Cost. The sheer magnitude of federal spending in the Senate Democrat bill – an amount obscured by a "sunset" provision that kills the benefit in 2010 – threatens Medicare's long term stability. As such, the Senate Democrat bill gives seniors temporary help, not a permanent entilement. Unofficial price tags for the Democrat plan range from $450 billion over seven years to close to $1 trillion over ten. *By contrast, the Congressional Budget Office's (CBO) official estimate concluded that the Tripartisan 21st Century Medicare Act totals $370 billion over 10 years, a figure that guarantees permanent, affordable drug coverage without breaking the Medicare bank.*

- Choice. The Senate Democrat plan relies on the government to pick one standard prescription drug

plan for over 40 million seniors with Medicare. This "one-size-fits-all" approach means seniors can't shop for a prescription drug plan that best suits their needs. *Under the Tripartisan 21st Century Medicare Act, seniors are guaranteed to have at least two competing prescription drug plans in their community, even in rural areas, using local pharmacies. Seniors will have the choice of picking plans on the basis of cost, benefits, and quality. All plans will be required to meet federal quality standards and to provide a standard benefit package or its actuarial equivalent, including a $3,700 cap on out-of-pocket drug expenses.*

- Drug prices. Because it is overly bureaucratic and excessively generous, the Senate Democrat plan does nothing to curtail or even slow skyrocketing prescription drug costs. That's why it's essential that any new prescription drug benefit contain cost management controls that moderate growth in price. *While guaranteeing a comprehensive drug coverage for all seniors, the Tripartisan 21st Century Medicare Act imposes reasonable cost-sharing obligations on beneficiaries and promotes competition among prescription drug plans, which leads to a better overall effect on drug prices, according to CBO.*

- Affordability. Under the Senate Democrat plan, seniors face fixed copayment amounts that in many instances mean they will actually pay more for many of the most commonly prescribed drugs than they would under a system that gave prescription drug plans more flexibility to offer lower cost copayments. *The Tripartisan 21St Century Medicare Act gives plans the freedom to offer copayments and deductibles that save seniors money. Moreover, the Tripartisan proposal has a lower average premium than the Democrat plan – $24 – according to CBO estimates.*

- Other Medicare Enhancements. The Senate Democrat plan leaves current Medicare as it is and simply dumps a massive entitlement expansion into it. *The Tripartisan 21st Century Medicare Act takes long-overdue steps to strengthen and improve Medicare's basic benefit package. In addition to adding prescription drug coverage, the bill offers seniors a new Enhanced Option, including catastrophic protection and free preventive care. The option is voluntary, and Medicare as we know it today will always remain available to seniors who prefer to keep what they have if they like it. Improvements to yet another coverage option – Medicare+Choice plans – are also included. Beneficiaries need not elect the Enhanced Option in order to have access to the drug benefit.*

# The 21st Century Medicare Act is *Different*

## From the House Bill (H.R. 4954)...

- Lower Average Premium. According to CBO estimates, the average premium under H.R. 4954 is $34 per month. *The average premium under the Tripartisan 21st Century Medicare Act is substantially more affordable – just $24 per month.*

- A Better Benefit. H.R. 4954 limits the initial prescription drug benefit to $2,000 before exposing seniors to a gap in coverage. *The Tripartisan 21st Century Medicare Act's basic drug benefit is better and richer than that in H.R. 4954. Seniors will have drug coverage worth 50% of their drug spending up to $3,450 after the deductible is met – that's $1,450 more than the what the House bill offers in its initial benefit.*

- Greater Protections for Low Income Seniors. *The Tripartisan 21st Century Medicare Act steps in to give more help to low income seniors where the House bill doesn't. It provides full assistance with premiums and substantial assistance with cost sharing for seniors below 135% of poverty, with no gaps in coverage. For seniors between 135% and 150% of poverty, assistance with premiums and cost sharing is provided on a sliding scale, also with no gaps in coverage. This critical additional coverage for our most vulnerable seniors is an important distinction that reflects the Tripartisan commitment to universal, affordable drug coverage for all.*

- Other Medicare Enhancements. The House bill leaves the 1960's style Medicare largely as it is today. While it provides $30 billion in additional funds to Medicare providers, it does little to strengthen or improve Medicare's basic benefit package. *Rather than address provider payment issues, the Tripartisan 21st Century Medicare Act addresses Medicare's benefit flaws. It offers seniors a volunary Enhanced Option, including catastrophic protection, free preventive care, and better Medigap plans. The new option would be offered alongside current fee-for-service Medicare and a strengthened Medicare+Choice. Seniors can keep what they have if they like it, or choose the new option. In all three settings, access to affordable prescription drug coverage would be guaranteed.*

## Drug Coverage Illustrations
## 21st Century Medicare Act

1. Mrs. Jones, 85, is the proud grandmother of ten with two daughters and one son. She lives in a medium-sized city in Florida on an income of $11,500 from her Social Security and limited retirement savings. Mrs. Jones had diabetes and has a mild heart condition. Today, like one in four seniors, her annual prescription drug bill would be $4,000 if she didn't have Medicare drug coverage. But, thanks to Medicare's new prescription drug coverage plan under the 21st Century Medicare Act, 98 percent of her prescription drug bill is covered and because of her income, she does not pay any monthly premium, and is exempt from the $250 deductible.

2. Mr. and Mrs. Smith, ages 70 and 72, worked hard all their lives and put five children through college. They live modestly in the same rural Missouri town where they grew up on an income of $17,300. Unfortunately, Mr. Smith's former employer recently closed its doors and the coverage they received from the retiree health plan ended. While Mr. Smith is relatively healthy with only a high cholesterol level to consider, Mrs. Smith has had some heart problems and her annual drug bill is $2,500. Combined they would expect to spend $3,100 on prescriptions this year if they did not have coverage and had to pay retail prices. Even though Mr. and Mrs. Smith had not previously enrolled in Medicare Part D, because they involuntarily lost their retiree coverage they can sign up now with no penalty. Half the monthly cost of enrolling is waived because of their income, so after paying a monthly premium of $12, they save $1,658 off their annual prescription drug bill, and they can fill their prescriptions at the local small-town pharmacy.

3. Mrs. Dudley is 74-years-old and lives in a large New England city where she can visit her son and his family who live only five miles away. Her health is still better than many of her friends and she is fortunate to have a retirement income of $53,500 because of a retirement savings and Social Security. Today, her annual prescription drug bill would be $1,100 if she had to pay full price at the pharmacy. After paying the monthly premium of $24, she saves $508, about half, off her prescription drug bill.

Remarks of U.S. Sen. Chuck Grassley, of Iowa
Ranking Member, Committee on Finance
News Conference, Introduction of the *21st Century Medicare Act*
Monday, July 15, 2002

Good afternoon. We're here today because Medicare is out of date. In office terms, Medicare is an electric typewriter. Medicare with prescription drug coverage is a high-speed laptop.

Millions of older Americans are getting by with old-fashioned Medicare, but we can do better for them. Modern medicine offers more than just getting by. Modern medicine offers prescription drugs that can save lives, and also change lives.

Modern medicine can make people feel better than they've felt in years. The right prescription drug means you don't feel dizzy all the time from high blood pressure. It means your hips and knees don't pound with arthritis pain. It means your glaucoma is under control, so you can read your own mail and pay your own bills and stay independent longer.

Right now, people with Medicare don't have coverage of life-changing prescription drugs. They absolutely should, and I hope they will.

My colleagues and I have spent a long time working on our plan to improve and strengthen Medicare. Our work came down to a very simple question: How do we get the best benefit for older Americans for the money?

Our bill, the *21st Century Medicare Act*, has the best prescription drug benefit we can buy with our budget. It offers a great benefit with the lowest premium of any of the pending comprehensive prescription drug proposals.

The average premium under the *21st Century Medicare Act* is just $24 per month. Senator Graham's bill sets everyone's premium at $25 a month. Sure, that sounds good, but not when you consider that the bill breaks the Medicare bank and isn't even permanent. After eight years, it'll disappear.

The House bill has an average premium of $34 a month. Our bill offers a better benefit for a lower premium.

We know our benefit will work. Experts have studied it and concluded it'll work. It's structured to be permanent and affordable.

Unlike Senator Graham's bill, we use competition to provide drugs in a cost-effective way. That's critical, when resources are limited. The Congressional Budget Office tells us we make drug dollars go further than the non-competitive Graham bill. Our bill isn't a Christmas gift for drug

makers.

CBO also tells us that just about everyone with Medicare will find this drug benefit a good deal, and will elect to take it. It's a reasonable, common sense approach.

Our bill also includes a new, enhanced Medicare option that reflects 21st Century health care. The enhanced option removes all cost-sharing on preventive benefits. It adds protection against devastating costs due to serious illness. It offers new, cheaper Medigap options. And it's all voluntary.

So we got the policy right. And we got the politics right. We've built the kind of support we need so this plan can pass the Senate.

This is the total package. It has the policy, the politics, and the potential to pass.

FOR IMMEDIATE RELEASE July 15, 2002

BREAUX: TRIPARTISAN DRUG BILL BEST HOPE TO PASS MEDICARE REFORM

WASHINGTON (July 15) – If Congress is serious about passing a prescription drug plan to help older Americans, week senators should vote this week for the compromise Medicare reform bill unveiled today by a tripartisan group committed to action this year, said Sen. John Breaux (D-La.).

"We know everything we need to know to provide prescription drug coverage and to improve Medicare for older Americans -- what we need now is the political courage to reach a compromise that wins wide Senate support this week," said Sen. Breaux who chaired the National Bipartisan Commission on the Future of Medicare and co-authored this 21st Century Medicare Act introduced in the Senate today.

Sen. Breaux was joined by Sens. Charles Grassley (R-Iowa), Olympia Snowe (R-Maine), Orrin Hatch (R-Utah) and Jim Jeffords (I-Vt.). In short, their tripartisan bill contains a voluntary prescription drug program, an enhanced fee-for-service Medicare benefit option and more competition in the existing Medicare + Choice plan.

"What most distinguishes our tripartisan plan is we are the only plan to include badly needed reforms in Medicare, and we offer prescription drug coverage for a $24 a month premium, an affordable price for seniors and the federal government," Sen. Breaux said. "No bill can offer older Americans everything they want or we want them to have, but I firmly believe Congress has an historic opportunity to approve up to $370 billion package to put us on the road to full prescription drug coverage and enhanced Medicare health care services."

"The real question before us today is whether we offer prescription drugs to older Americans or we offer the American public yet another political excuse about why we failed to deliver affordable drug coverage," Sen. Breaux concluded.

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# SNOWE, TRIPARTISAN SENATORS INTRODUCE 21st CENTURY MEDICARE ACT, PRESCRIPTION DRUG BENEFIT

*21st Century Medicare Act Will Provide Prescription Drug benefit for all seniors*

WASHINGTON, D.C. – U.S. Senator Olympia J. Snowe (R-Maine) today joined a Tripartisan group of Senators in introducing the 21st Century Medicare Act, which will create a comprehensive new prescription drug benefit for seniors and strengthen Medicare.

The legislation, introduced at a Capitol Hill News Conference Monday, is being introduced by Snowe and Senators Chuck Grassley (R-Iowa), John Breaux (D-La.), Jim Jeffords (I-Vt.), and Orrin Hatch (R-Utah). The bill is expected to save the average senior more than $1,600 per year, with anticipated savings of 33 to 98 percent in out-of-pocket expenses for an affordable monthly premium of $24.

Snowe said she hopes the Tripartisan approach will help pass a prescription drug benefit this year, instead of being undermined by partisan differences. "We undertook this effort a year ago when partisan differences threatened to undermine any chance to enact a prescription drug benefit, and believed – then as now – that since seniors can not put off their illnesses, we must not put off a solution. So we crossed the political divide to develop an innovative plan that can serve as the basis for action," said Snowe, a member of the Senate Finance Committee, which oversees Medicare.

"Unfortunately, partisanship today jeopardizes any chance of sending Medicare prescription drug legislation to the President. We're trying to break the partisan logjam, and are calling for a markup of prescription drug legislation in the Finance Committee this week, and a full and honest floor debate to follow. How can we do less when one-third of our nation's seniors have no coverage for prescription drugs?" she said.

"Our plan is a fully-funded, permanent part of Medicare. We don't resort to budget gimmicks or artificial sunset requirements that obscure the cost of our proposal. Seniors deserve better than the false hope of a drug benefit that expires after seven years, with no guarantee of further coverage," she said.

Snowe said the legislation is designed to build on "three fundamental pillars of Medicare reform: that the benefit be affordable, comprehensive, and available to all seniors; that it provide the maximum benefit possible for lower-income seniors and those without drug coverage; and that it be a fully-funded, permanent part of the Medicare program that does not threaten the stability of Medicare for future generations."

The 21st Century Medicare Act will create a voluntary prescription drug program that seniors can choose whether they remain in the existing Medicare benefit, or in a new, enhanced Medicare package. The legislation will make changes to significantly modernize Medicare, and will revamp the Medicare+ Choice program to provide better benefits and services, and eliminate a bureaucratic pricing scheme. Snowe said the bill focuses on several core principles:

- ***Affordable, Comprehensive, and Available to all seniors:*** "Our plan is universal, because Priority One for seniors is ensuring that any new benefit is available in every region of the country - urban and rural - at the lowest monthly cost possible. So we guarantee seniors will have a choice of at least two plans, no matter where they live," she said.
- ***Complete Drug coverage*** – "Our plan is comprehensive, providing coverage for every therapeutic drug class – from generics to the most innovative, advanced therapies, with significant relief from high drug costs," she said.
- ***Maximum Benefits for lower-income seniors and those without drug coverage -*** "Our plan is targeted, with seniors between 135 and 150 percent of poverty – about 18,000 for an elderly couple - receiving coverage for about $12 a month or less, and those 135 percent of poverty - about $16,000

for a couple - receiving the benefit at no cost and with no required premium and no deductible," she said.

• ***Real savings for seniors -*** ""Our plan will save seniors real money – anywhere from 33 to 95 percent in out of pocket expenses, with the average senior saving more than $1,600 per year," she said.

Under the Tripartisan plan, the drug benefit will be offered by private drug plans that accept part of the risk for managing prescription drug costs, with the federal government assuming most of the risk. "Seniors will have a choice of plans, so they can use their purchasing clout to 'vote with their feet' if their private plan will not keep prices down, or provide a high-quality benefit," she said. She said the Tripartisan proposals uses private insurers because they are likely to be a tougher negotiator than the federal government, "because their profit margin is on the line." Snowe said the Congressional Budget Office anticipates that 99 percent of seniors will opt to participate in the proposal, with just one percent of higher-income seniors who choose not to take advantage of coverage for their prescription drug costs.

For the lowest-income seniors, hardest hit by high drug costs, the Tripartisan plan provides additional support. The 11.7 million lower-income beneficiaries with incomes below 150 percent of the federal poverty level are exempt from the benefit limit of $3,450. Those between 135 and 150 percent of federal poverty level will also receive more generous federal subsidies that will, on average, lower their monthly premiums on a sliding scale to between zero and $24 a month. The 10 million beneficiaries with incomes below 135% of poverty will have 80 to 98% of their prescription drug costs covered without any premium at all. These seniors will be exempted from the deductible, and will pay an average coinsurance of just $1-2 for prescriptions.

All other enrollees under the Tripartisan plan will pay premiums of about $24 a month with access to discounted prescription costs. Benefits kick in after a $250 deductible, with the government paying 50 percent of costs up to a benefit limit of $3,450 per year. The legislation also provides a level of catastrophic care to protect seniors against extremely high out-of-pocket drug costs that exceed $3.700 per year.

Snowe noted that the legislation will also "bring Medicare into the 21st Century", creating a new, voluntary Enhanced Medicare Benefit that will "save seniors hundreds of dollars in out-of-pocket costs, while providing them with greater health security," she said.

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## The 21st Century Medicare Act of 2002
## Statement of Senator James M. Jeffords
## July 15, 2002

Over the next several days we in the Senate will have a historic opportunity to debate and enact the most significant expansion of Medicare in over 35 years.

Today, we are here to introduce what many have come to call the "Tripartisan Medicare" bill. But that's a bit of a misnomer, because it's not about being "tripartisan" or even "non-partisan." That's because this proposal isn't about about politics-it's about older Americans and it's about providing them with the health care they need and best Medicare program we can afford.

I am very proud to join my colleagues here today to introduce the 21st Century Medicare Act. This measure guarantees the promises of the original Medicare program of yesterday while delivering the strengthened and improved benefits of tomorrow.

I believe our bill is the best opportunity we have to enact a modernized and strengthened

Medicare program that will for first time provide a meaningful and affordable prescription drug benefit for all of our seniors that rely on Medicare. This is why.

First, our legislation preserves the traditional Medicare program for today's and tomorrow's seniors. Our bill does not weaken traditional Medicare, make it more expensive or less available. If the traditional Medicare program is what seniors want, then it should be there for them, **guaranteed**.

Second, we create an all new voluntary enhanced fee-for-service part to the Medicare program that provides new benefits-and it includes all of the services available under traditional Medicare.

Our enhanced Medicare program protects sickest seniors from the high costs of repeated hospitalizations that Medicare **doesn't** now pay for. Today, seniors must pay a $812 deductible for each spell of illness; and then $203 per day for hospitalizations over 60 days; and, $406 per day for stays lasting more than 90 days.

That may have been basic coverage in 1965, but it's not very good coverage today. Our enhanced Medicare would establish a single, $300 deductible that will save seniors hundreds of dollars in high hospitalization costs.

In addition to better benefits for our sickest seniors, our enhanced Medicare plan provides better disease prevention benefits so our healthy seniors can remain healthy. These benefits, which are not now provided under traditional Medicare, include:

- tests to detect breast, prostrate and other cancer early when they are most treatable;
- adult vaccines that prevent a host of diseases;
- tests to predict the loss of bone mass before people break their hips and other bones; and,
- medical nutritional therapy to make sure seniors are getting the nutrition they need to keep them healthy.

Third, and of great importance, the 21st Century Medicare Act ensures that seniors will have prescription drug coverage.

I know my colleagues will spend more time describing the prescription drug benefit but I want to be straight to the point; our plan is comprehensive, affordable and sustainable into the future.

Over the next couple of weeks there will be detailed descriptions of competing ideas and proposals debated in the Finance Committee and on the Senate floor. We should have-and I look forward to-that debate. I've examined the proposals that are out there and this is what I found that is unique about our 21st Century Medicare Act.

It strengthens Medicare by building on programs that allows patients and their doctors to choose the best course of treatment, and it ensures that a better Medicare for seniors, today and in the future.

It improves Medicare by providing a comprehensive prescription drug benefit and new voluntary disease-prevention benefits that will help seniors live longer, healthy lives.

And, it guarantees that the benefits of today will be there for seniors tomorrow.

I look forward to working with all of my colleagues-in a non-partisan way-to help enact this quality health care program for our seniors.